

New EU Guidelines on State Aid to airports and airlines

ACI Europe's RACE
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Leonardo Massetti
Manager Regulatory Affairs
European Regions Airline Association

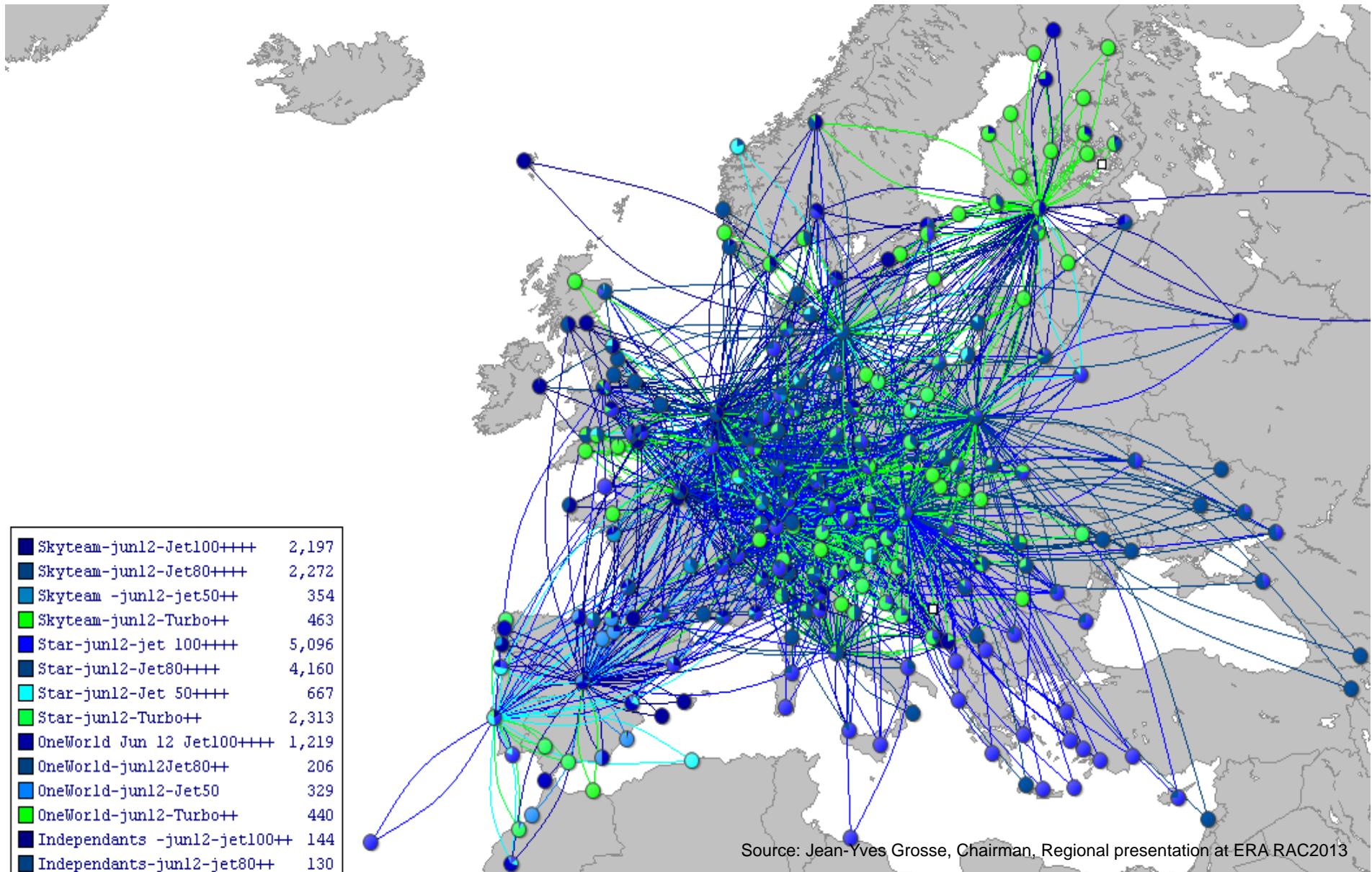


About ERA

- **50 airline members**
- **20 Airports**
- 93 Suppliers
- 10 Manufacturers
- 960k flights per year
- 45 million passengers per year
- 71 minute average sector time
- 67 seats average seating capacity
- 800 aircraft
- 1,200 routes
- 32 countries across Europe

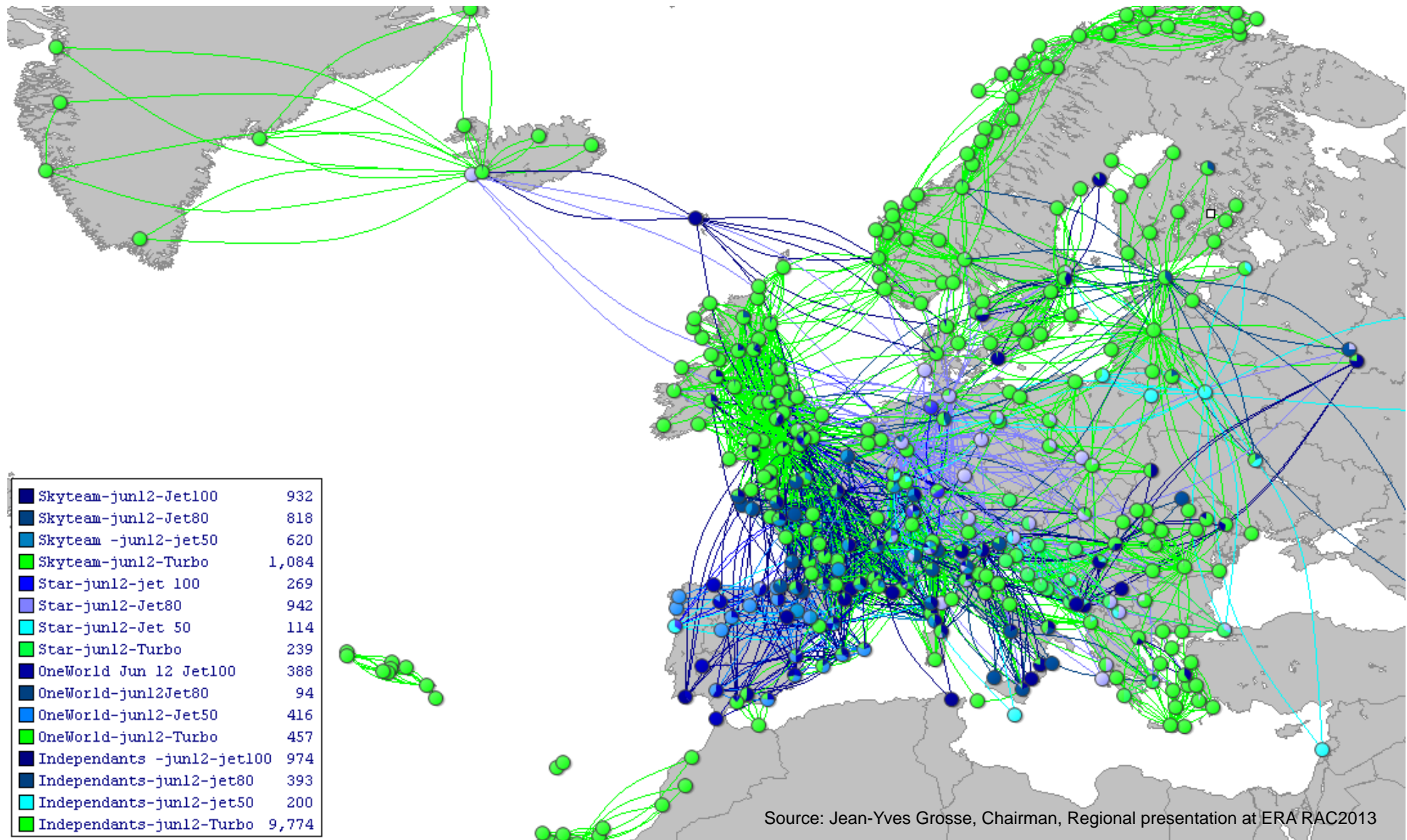


Regional Hub feeding



Source: Jean-Yves Grosse, Chairman, Regional presentation at ERA RAC2013

Regional Point to Point



Source: Jean-Yves Grosse, Chairman, Regional presentation at ERA RAC2013

European Air Transport Market

- The air transport market has evolved dramatically in recent years.
 - ➔ **Low-Cost Carriers (LCCs)** have developed new business models linked to regional airports
 - Market share (**over 40% in Europe**).
 - **Volatility** in entering/quitting an airport
 - ➔ **Europe's regions are losing links with** capitals via the **hub** airports - an 11% decline in 10 years



Case Study

- ✓ **2010:** ERA member airline (“Air ERA”) complained about illegal State Aid to its main domestic competitor airline (“Competitor”) received from airport
- ✓ 2011: European Commission opened investigation
- ✓ 2013: Complaint lodged before National Competition Authority
- ✓ **2013:** National Court of Appeal judgement



Case Study

- ✓ *Existence of State Aid and use of public resources*
- ✓ *No ex-ante business plan*
- ✓ *No pre-notification to EC*
- ✓ *Market Economy Operator Principle dismissed*
- ✓ *No tender procedure before granting Aid*
- ✓ *marginal revenue for the public entity is a consequence of abuse of dominant position
(dominant company applying dissimilar conditions to equivalent transactions)*
- ✓ *Clearly selective and discriminatory advantage*



Case Study

✓ *It's all about money:*

- Air **ERA had to stop its activities** at the airport in question as direct consequence of arbitrary, selective and discriminatory aid to competitor and tax increase (+170%) on transfer passengers
- Competitor became monopolistic operator in some routes: ticket fare increase up to +85%
- 2011-2013: **airport revenues fell by 45%**
- 2011-2013: **airport passenger traffic fell by 35%**



Case Study

✓ *It's all about money:*

- 2011-2013: *airport number of landings fell by 48%*
- *Public airport shareholders exit*
- 2013: *Air ERA had to phase out 80% of its fleet*
- 2011-2013: *Air ERA lost € 25 m as a direct consequence of discriminatory treatment*



Lessons learnt

- *TIME TO OBTAIN COMPENSATION TOO LONG TO SURVIVE COMMERCIALY*
- *OLD GUIDELINES ALREADY CLEAR*
- *TRANSPARENCY NEEDED BEFORE AID GRANTED*
- *SIMPLE, EFFECTIVE AND EXPEDITIOUS COMPLAINTS PROCEDURE*
- *OVERSIGHT OF IMPLEMENTATION AND FAIR ENFORCEMENT*



What about the new Guidelines?

- **Positive elements** of Commission's new Guidelines :
 - More flexibility for aid to peripheral and remote regions
 - compliance with Regulation 1008/2008 on Public Service Obligations and Directive 12/2009 on airport charges are steps in the right direction
 - More flexibility for operating aid to smaller airports (< 700 000 pax), however 4-year review clause means business uncertainty



What about the new Guidelines?

- Passenger traffic growth 2001-2010 (ACI-Europe):
 - **+81%** (EU airports < 1 mil./year)
- Cost-Benefit analysis for EU airports <1 mil./year):
 - **€445 million** (potential public funding to cover annual losses)
 - **€16.15 billion + 265,000 job** (annual contribution by airports < 1 mil./year)



What about the new Guidelines?

Preferential treatment to rail transport?

No start-up aid to airlines allowed on routes already covered by HSR, however heavy subsidies to rail transport allowed although commercially profitable air link already operating



What about the new Guidelines?

- They acknowledge that airports < 1 mil. pax/year need State Aid to financially survive
 - Why do they require airports above 700.000 pax/year to survive without public support?
- They acknowledge capacity crunch and congestion at European main airports.
EUROCONTROL: “*by 2030 19 out of 20 majors airports to be heavily congested*”:
 - What happens if we reduce the number of airports?



What about the new Guidelines?

"good aid" : sustainable aid addressing market failures; equity objectives in the interest of **growth and jobs**, such as regional investment aid

Proposed “solutions” to regional airports:

- increase charges to airlines (**highly competitive market, tiny margins = very unlikely to happen**)
- Rationalisation measures (**= cutting jobs?**)



What about the new Guidelines?

- **Transparency not particularly improved:**
 - costs and charges at EU Airports (irrespective of size/volume of passengers) to assess any differentiation and rebates
 - disclosure of information regarding State Aid **after** it's been granted
 - start-up aid schemes are not duly advertised **before** they are granted



Conclusion

- Regional Airports and Airlines are vital contributors to keeping Europe connected
- They play a great **social and economic role** to regional Communities' development
- BUT simple, transparent, effective rules are needed to ensure competition is not distorted

Closing regional airports is not a good option



Thank you
for your attention

Leonardo.Masseti@eraa.org

